

**APPROVED MINUTES**  
**APPROVED 11-18-13**  
**CITY OF SCOTTSDALE**  
**AUDIT COMMITTEE**



**MONDAY, OCTOBER 21, 2013**

**CITY HALL, KIVA CONFERENCE ROOM**  
**3939 NORTH DRINKWATER BOULEVARD**  
**SCOTTSDALE, AZ 85251**

**REGULAR MEETING**

**PRESENT:** Suzanne Klapp, Chair  
Virginia Korte, Vice Mayor  
Robert Littlefield, Councilman

**STAFF:** Rachel Smetana, Mayor's Office  
Paul Basha, Planning/Neighborhood/Transportation Department  
John Cocca, Police Department  
Kim Nguyen, Police Department  
Karen Sutherland, Police Department  
Brian Biesemeyer, Water Resources Division  
Gina Kirklin, Water Resources Division  
Dave Petty, Water Resources Division  
Lai Cluff, City Auditor's Office  
Cathleen Davis, City Auditor's Office  
Joanna Munar, City Auditor's Office  
Sharron Walker, City Auditor

**GUESTS:** Gary Bretz, Transportation Commission

**CALL TO ORDER**

Chair Klapp called the meeting to order at approximately 4:00 p.m. A formal roll call confirmed the presence of Committee Members as noted above.

**1. Approval of Minutes, Regular Meeting, August 19, 2013**

**VICE MAYOR KORTE MOVED TO APPROVE THE MINUTES OF THE AUGUST 19, 2013 REGULAR MEETING. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**2. Discussion and possible direction to staff regarding Sunset Review:**

**a. Transportation Commission**

City Auditor Sharron Walker introduced the review of the Transportation Commission, noting the Audit Committee is to evaluate whether the reviewed commission is serving its purpose; the purpose should be maintained or modified; or the purpose has been served or is no longer required. Further, the Audit Committee is to make a recommendation to the Council whether to continue or terminate the reviewed commission. The sunset review material provided with the agenda includes the Transportation Commission's 2012 and prior annual reports. Ms. Walker noted that Mr. Paul Basha, the Transportation Director, and Mr. Gary Bretz of the Transportation Commission were in attendance.

**VICE MAYOR KORTE MOVED TO RECOMMEND TO CITY COUNCIL THAT THE TRANSPORTATION COMMISSION CONTINUE. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ONE (1). COUNCILMAN LITTLEFIELD DISSENTED.**

**b. Trails Subcommittee (Transportation Commission)**

Ms. Walker introduced the review of the Transportation Commission's Trails Subcommittee, noting the Audit Committee has the same charge as with the previous sunset review. She also explained that the Trails Subcommittee has not submitted annual reports, but is instead mentioned in the Transportation Commission's annual reports which were provided for the Commission's review.

Chair Klapp asked if there was a reason why the Subcommittee had not submitted an annual report. Mr. Basha said he was not aware of why. Vice Mayor Korte asked Mr. Basha if the Subcommittee's work is meaningful. Mr. Basha said the Subcommittee's function is to advise the Commission on issues pertaining to trails and the different populations using them. He stated the subcommittee meets quarterly, but had missed the last meeting; the next meeting is on November 5. Two members of the Transportation Commission sit on the Subcommittee along with two citizens who are not members of any board or commission.

Chair Klapp recommended requesting a report from the Subcommittee so the Audit Committee can evaluate whether it should be continued. The Subcommittee should discuss their mission, goals and accomplishments. Vice Mayor Korte concurred. She asked why the Subcommittee had been formed in 2010. Chair Klapp recalled that the former Trails Task Force was a large group and City Council agreed to form the Trails Subcommittee to replace it. She noted that this is the only subcommittee to any City board or commission. Councilman Littlefield recalled that trails had once been the responsibility of the Parks and Recreation Department but had been moved to the Transportation Department, a change which he had opposed. He still feels that trails

should be the responsibility of the Parks and Recreation Department, since people use trails for recreation primarily.

Vice Mayor Korte asked that the Subcommittee to create an annual report and conduct a self-evaluation. Mr. Basha asked if they should also be asked if they have an opinion about being a Subcommittee of the Transportation Commission. Chair Klapp said that is a City Council decision. Councilman Littlefield reiterated that the basic premise is flawed; this should be the responsibility of the Parks and Recreation Department. Chair Klapp noted that the Audit Committee is not charged with making that decision. Their charge is to decide whether it should be a subcommittee of the Transportation Commission. Meanwhile, the Subcommittee is to produce an annual report using the standard format provided by the Mayor's Office.

By consensus the Councilmembers agreed to table the discussion until the January 2014 meeting.

### **3. Discussion and possible direction to staff regarding Audit Report 1414, Control and Use of Key Water Treatment Supplies**

Joanna Munar of the City Auditor's Office presented the report, noting that Brian Biesemeyer, Executive Director of Water Resources, was in attendance with Gina Kirklin and Dave Petty

The auditors found that Water Resources might have saved almost \$128,000 annually by using a multi-agency contract for water treatment chemicals. The existing pricing contract has been in place for several years. During FY 2011/2012 and 2012/2013, seven of the ten water treatment chemicals purchased by the Division were available through the contract and prices per unit were lower for six of those seven products. The annual savings would be about 17%.

The auditors also found that determining privilege and use tax applicability to the City's water treatment chemicals will help ensure consistent tax compliance. The Division has not been paying TPT for purchases of sodium hypochlorite used to clean the plant's membranes. Because it is used for cleaning rather than treating the water, it is not exempt from TPT. The underpaid tax was estimated to be \$26,000 for FY 2011/12 and 2012/2013.

To achieve better internal controls and operational efficiencies, the auditors recommended use of complete daily operation reports, consistent record keeping for chemical orders and deliveries, and an updated procedure manual.

Councilmembers had no questions for the Water Resources staff. Mr. Biesemeyer thanked the auditors for conducting the audit. Because chemicals are a large part of the Division's budget this was a priority for him. He noted that the timing of their contract is different than the timing for the multi-agency contract. Their new contract actually has better pricing on several products than the multi-agency contract.

### **4. Discussion and Possible Direction to staff regarding Audit Report No. 1407, Communications Center Staffing**

Ms. Lai Cluff reviewed the report. The auditors found that the length of the recruiting process is a contributing factor to the Center's overtime expenses. They suggest that requiring interested persons to pass the practical skills test before submitting an

application would significantly lower the number of applications to be processed and reduce the length of the recruiting process.

The auditors evaluated the staffing levels in the Center. Additional call takers appear to be needed on early weekend mornings. Certain factors used in the Communications Center staffing model need additional testing or tracking to verify their accuracy. Further, the methodology and assumptions for factors used in the staffing model were not adequately documented.

Assistant Chief John Cocca, Kim Nguyen and Karen Sutherland were in attendance from the Police Department.

Chair Klapp asked about the staffing of background checks. Assistant Chief Cocca said 1.5 civilian staff members are assigned to this task. Chair Klapp asked whether they have considered outsourcing this job. Assistant Chief Cocca said checks must be done by people who are certified by the Arizona P.O.S.T. The Department is considering bringing back already certified people on a part-time basis to help with this work. Chair Klapp asked if they have evaluated how much that could shorten the recruiting process. Assistant Chief Cocca said they have not yet, but are looking at several aspects to shorten the recruiting process, based on the audit results. He added that the priority has always been getting police officer positions filled first and dispatchers are second in priority. He also mentioned that he and the Communications staff have recently discussed some of the little things that can be done to shorten the timeframe and they are willing to try testing the applicants before they apply to not bog down Public Safety Personnel.

Councilman Littlefield said his reading of the report suggests that the background check does not contribute significantly to the time it takes to bring somebody up to speed. He said what seems to take the most time is the training and the OJT (on-the-job training). He stated that the real problem is the turnover, rather than how long it takes to get somebody new.

Assistant Chief Cocca said turnover is caused by factors such as employees' personal issues, such as family issues, the number of hours, leaving for other jobs. Councilman Littlefield asked if the personal issues were related to the job or external. Assistant Chief Cocca said both. Some are related to family or medical issues.

Chair Klapp pointed out that higher overtime leads to higher turnover caused by employee burnout. She suggested that they need to cut down on overtime. They still should try to cut down on the hiring process, but reducing overtime will also help with turnover. Assistant Chief Cocca agreed.

Councilman Littlefield commented that there is not much room to shorten the process to get a new dispatcher in and they should focus on reducing turnover. Assistant Chief Cocca noted that the field training time is not going to get shortened. It depends on how the employee performs and takes nine to 12 months. Chair Klapp commented it takes 6 months to hire, so if they could reduce it to 5 months, that's better.

## **5. Discussion and Possible Direction to staff regarding CY2013 3rd Quarter Taxpayer Problem Resolution Officer (TPRO) Report**

Ms. Cathleen Davis presented the report. The Committee Members had no questions.

**6. Discussion and Possible Direction to staff regarding status of FY 2013/14 Audit Plan**

Ms. Walker presented the status update. They are basically on track with the audit plan. The quarterly audit follow-up report will be presented at the November meeting. The Committee will not meet in December, but by January there will be several reports to consider.

**7. Discussion and Possible Direction to staff regarding agenda items for next Audit Committee meeting (November 18, 2013)**

Ms. Walker noted the next meeting is scheduled for November. The external CPA firm should have the financial compliance audit ready. The quarterly audit follow-up report will also be presented.

Councilman Littlefield asked whether CliftonLarsonAllen conducted the external audit for the City of Glendale, since a subsequent special investigation implied criticism of that audit. Ms. Walker commented that she had checked that and recalls it was a different firm, Heinfeld Meech, but she will re-check the firm and email the Committee Members.

Vice Mayor Korte asked if the Audit Committee's responsibilities have changed with respect to the external audit. Ms. Walker said previously the external audit firm would come to the Audit Committee because by government auditing standards they are required to have communication with the governing body. She expects that the procedure will remain very similar to the past.

**Public Comment**

No members of the public wished to address the Committee.

**Adjournment**

The meeting adjourned at approximately 4:36 p.m.

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